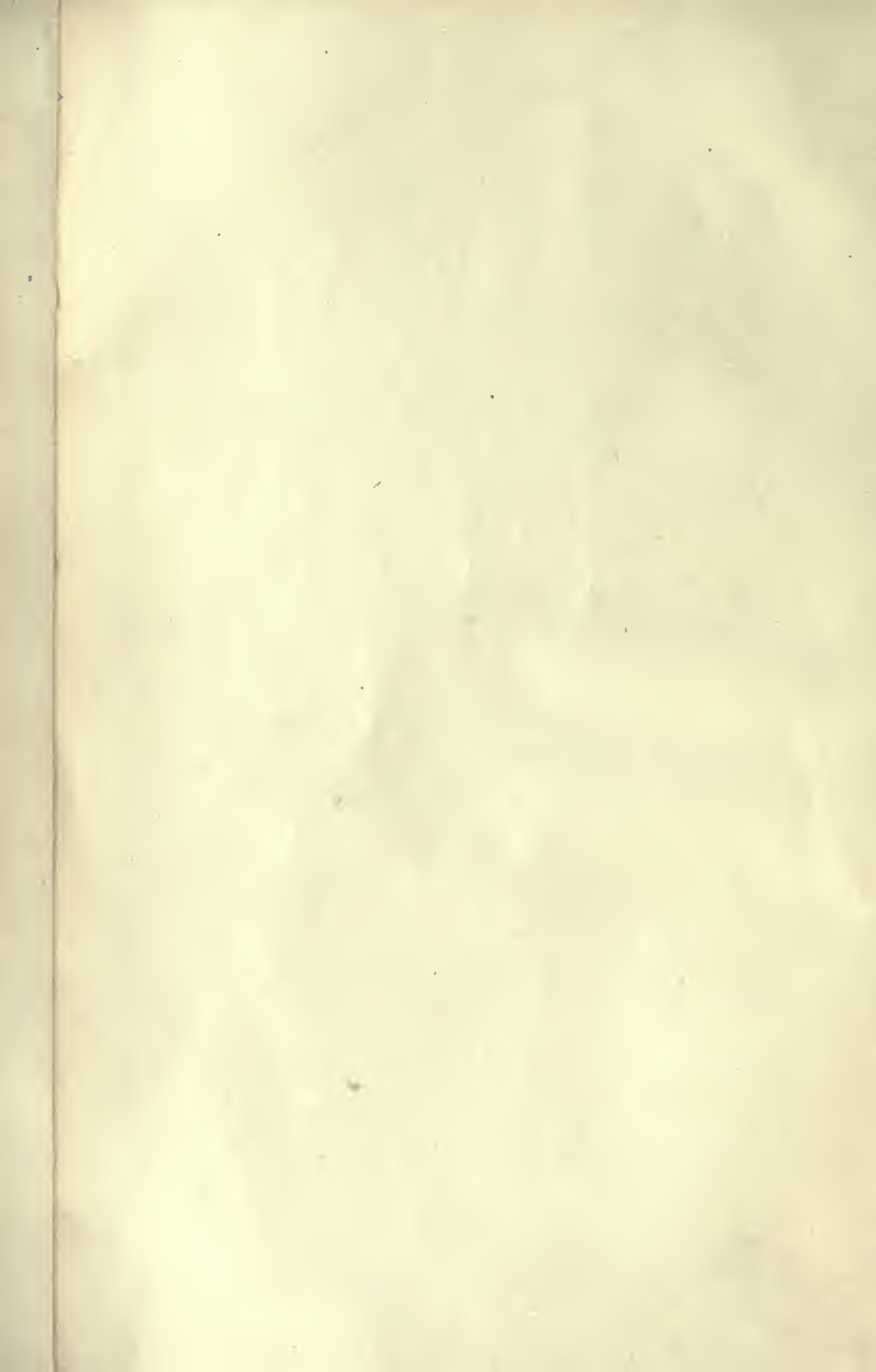


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No. 317.—AN ACT TO PROVIDE FOR THE REGULATION AND SUPERVISION OF INVESTMENT COMPANIES.

It is hereby enacted by the General Assembly of the State of Vermont: LAWS—

Section 1. Section 4693 of the Public Statutes is hereby amended so as to read as follows:

Sec. 4693. Every corporation, co-partnership, company and association (other than state and national banks, trust companies, corporations under the supervision of the public service commission, corporations organized under the laws of the state of Vermont not engaged in or carrying on the business of selling or negotiating stocks, bonds or other securities, building and loan associations and corporations not organized for profit), now organized or which shall be organized in this state, which shall sell or negotiate for the sale of any lands situated outside this state and stocks, bonds or other securities of any kind or character other than bonds of the United States, state of Vermont or of a municipality of this state or notes secured by mortgages on real estate located in this state, to any person or persons in this state, other than those specifically exempted herein, shall be known for the purpose of this act as a domestic investment company. Every such investment company organized in any other state, territory or government, or organized under the laws of any other state, territory or government, shall be known for the purpose of this act as a foreign investment company.

Sec. 2. Section 4694 of the Public Statutes is hereby amended so as to read as follows:

Section 4694. Before offering or attempting to sell any lands situated outside this state or stocks, bonds or other securities of any kind or character other than those specifically exempted in section 1 of this act to any person or persons or transacting any business whatever in this state, excepting that of preparing the documents hereinafter required, every such investment company, domestic or foreign, shall file in the office of the bank commissioner together with the filing fee of twenty-five dollars, the following documents to wit: A bond to the state for such amount as said bank commissioner may require, not more than twenty-five thousand dollars and not less than one thousand dollars, with such sureties or security as he may approve, conditioned for compliance with the laws of this state affecting such investment companies; a statement showing in full detail the plan upon which it proposes to transact business; a copy of all contracts, bonds or other instruments which it proposes to make with or sell to its contributors; a statement which shows the name and the location of the investment company, and an itemiz-

ed account of its actual financial condition, and the amount of its property and liabilities, and such other information touching its affairs as said bank commissioner may require. If such investment company is a co-partnership or an unincorporated association, it shall when requested in writing by the bank commissioner also file with the bank commissioner a copy of its articles of co-partnership or association, and all other papers pertaining to its organization, and if it be a corporation organized under the laws of Vermont it shall when requested in writing by the bank commissioner also file with the bank commissioner a copy of its articles of incorporation, constitution and by-laws, and all other papers pertaining to its organization. If it is an investment company organized under the laws of any other state, territory or government, incorporated or unincorporated, it shall when requested in writing by the bank commissioner also file with the said bank commissioner a copy of the laws of said state, territory or government under which it exists or is incorporated, and also a copy of its charter, articles of incorporation, constitution and by-laws and all amendments thereof which have been made and all other papers pertaining to its organization. All of the above described papers, except charters or articles of association of a domestic corporation required to be filed with the secretary of state of this state, shall be verified by the oath of a member of a co-partnership or company, if it be a co-partnership or company, or by the oath of a duly authorized officer, if it be an incorporated or unincorporated association. All such papers, however, as are recorded or are on file in any public office shall be further certified to by the officer of whose records or archives they form a part, as being correct copies of such records or archives. The bank commissioner may in his discretion, waive the filing of any of the papers, bonds or documents described in this section.

Sec. 3. Section 4697 of the Public Statutes is hereby amended so as to read as follows:

Section 4697. Every foreign investment company shall when requested in writing by the bank commissioner also file its written consent, irrevocable, that actions may be commenced against it, in the proper court of any county in this state in which a cause of action may arise or in which the plaintiff may reside, by the service of process on the secretary of state, and stipulating and agreeing that such service of process on the secretary of state shall be taken and held, in all the courts, to be as valid and binding as if due service had been made upon the company itself, according to the laws of this or any other state, and such instrument shall be authenticated by the seal of said foreign investment company and by the signature of a member of the co-partnership or company, if it be a co-partnership or company, or by the signatures of the president and secretary of the incorporated or unincorporated association, if it be an

incorporated or unincorporated association, and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees, or managers of the corporation authorizing the said secretary or president to execute the same.

Sec. 4. Section 4696 of the Public Statutes is hereby amended so as to read as follows:

Section 4696. It shall be the duty of the bank commissioner to examine the statements and documents so filed, and if he shall deem it advisable he shall make or cause to be made a detailed examination of such investment company's affairs, which examination shall be at the expense of such investment company, as hereinafter provided; and if he finds that such investment company is solvent, that its articles of incorporation or association, its constitution and by-laws, its proposed plan of business and proposed contract contain and provide for a fair, just and equitable plan for the transaction of business, and in his judgment promises a fair return on the lands, stocks, bonds and other securities by it offered for sale, the bank commissioner shall issue to such investment company a statement reciting that such company has complied with the provision of this act, that detailed information in regard to the company and its securities is on file in his office for public inspection, that such investment company is permitted to do business in this state for one year and such statement shall also recite in bold type that the bank commissioner in no wise recommends the securities to be offered for sale by such company. But if said bank commissioner finds that said articles of incorporation or association, charter, constitution and by-laws, plan of business or proposed contract contain any provisions that are unfair, unjust, inequitable or oppressive to any class of contributors, or if he decides from his examination of its affairs that said investment company is not solvent and does not intend to do a fair and honest business, and in his judgment does not promise a fair return on the lands, stocks, bonds or other securities by it offered for sale, then he shall notify such investment company of his findings, and it shall be unlawful for such company to do any further business in this state until it shall so change its constitution and by-laws, articles of incorporation or association, its proposed plan of business and proposed contract and its general financial condition in such manner as to satisfy the bank commissioner that it is solvent, and its articles of incorporation or association, its constitution and by-laws, its proposed plan of business and proposed contract, provide for a fair, just and equitable plan for the transaction of business, and does, in his judgment, promise a fair return on the lands, stocks, bonds and other securities by it offered for sale; provided, that all expenses paid or incurred and all fees or charges received or collected for any examination made under the provisions of this section shall be reported in detail by the bank commissioner and a full report and record thereof made in detail.

Sec. 5. It shall not be lawful for any investment company, either as principal or agent, to transact any business, in form or character similar to that set forth in section 1 of this act, except as is provided in section 2 of this act, until it shall have filed the papers and documents above provided for; nor shall an unlicensed company advertise its business in newspapers in this state or by circulars. No amendment of the charter, articles of incorporation, constitution and by-laws of any such investment company shall become operative until a copy of the same has been filed with the bank commissioner as provided in regard to the original filing of charters, articles of incorporation, constitution and by-laws, nor shall it be lawful for any such investment company to transact business on any other plan than that set forth in the statement required to be filed by section 2 of this act or make any contracts other than that shown in the copy of the proposed contract required to be filed by section 2 of this act, until a written statement showing in full detail the proposed new plan of transacting the business and a copy of the proposed new contract shall have been filed with the bank commissioner, in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the bank commissioner obtained as to making such proposed new plan of transacting business and proposed new contract.

Sec. 6. An investment company may appoint one or more agents, but no such agent shall do any business for said investment company in this state until he shall first register with the bank commissioner as agent for such investment company. Such registration shall entitle such agent to represent said investment company until the first day of April following, unless said authority is sooner revoked by the bank commissioner; and such authority shall be subject to revocation at any time by the bank commissioner for cause appearing to him sufficient.

Sec. 7. Section 4699 of the Public Statutes is hereby amended so as to read as follows:

Section 4699. Every investment company, domestic or foreign, shall when requested in writing by the bank commissioner file at the close of business on the last day of June and December of each year, and at such other times as required by the bank commissioner, a statement verified by the oath of the co-partnership or company, if it be a co-partnership or company, or by the oath of a duly authorized officer, if it be an incorporated or an unincorporated association, setting forth in such form as may be prescribed by the said bank commissioner, its financial condition and the amount of its assets and liabilities, and furnishing such other information concerning its affairs as said bank commissioner may require. Each regular statement of June and December shall be accompanied by a filing fee of five dollars. Any investment company when requested in writing by the bank commissioner failing to file its report at the close of business

on the last day of June or December of each year within ten days of the date, or failing to file any other or special report herein required within thirty days after receipt of request or requisition therefor, shall forfeit its right to do business in this state.

Sec. 8. The bank commissioner shall have general supervision and control, as provided by this act, over any and all investment companies, domestic or foreign, doing business in this state, and all such investment companies shall be subject to examination by the bank commissioner or his duly authorized deputy at any time the bank commissioner may deem it advisable and in the same manner as is now provided for the examination of state banks, and make such examination of securities sold by them in Vermont as shall be necessary for him to determine their character. The rights, powers, and privileges of the bank commissioner in connection with such examinations shall be the same as is now provided with reference to examination of state banks; and such investment company shall pay a fee for each of such examinations of not to exceed ten dollars for each day or fraction thereof plus the actual traveling and hotel expenses of said bank commissioner or deputy in making such examination, and the failure or refusal of any investment company to pay said fees upon the demand of the bank commissioner or deputy while making such examination shall work a forfeiture of its right to do business in this state.

Sec. 9. Section 4700 of the Public Statutes is hereby amended so as to read as follows:

Section 4700. Whenever it shall appear to the bank commissioner that the assets of any investment company doing business in this state are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in an unsafe, inequitable or unauthorized manner, or jeopardizing the interest of its stockholders or investors in lands, stocks, bonds or other securities by it offered for sale, or whenever any investment company shall fail or refuse to file any papers, statements or documents, required by this act, without giving satisfactory reasons therefor said bank commissioner shall at once communicate such facts to the attorney general who shall thereupon revoke the license of such investment company and send a copy of such revocation to the principal office of such company and to each agent thereof in this state and cause the same to be published in such manner as he deems proper; he shall also forthwith apply to a chancellor for the appointment of a receiver to take charge of and wind up the business of such investment company and if such fact or facts be made to appear it shall be sufficient evidence to authorize the appointment of a receiver and the making of such orders and decrees in such cases as equity may require.

Sec. 10. A person who knowingly or willfully subscribes

to or makes or causes to be made any false statement, or false entry in any book of such investment, company, or exhibits any false paper, with the intention of deceiving any person authorized to examine into the affairs of such investment company, or makes or publishes any false statement of the financial condition of such investment company, or the lands, stocks, bonds or other securities by it offered for sale, shall be fined not more than one thousand dollars, or shall be imprisoned for not more than ninety days, or both.

Sec. 11. A person who sells or attempts to sell the lands, stock, bonds or other securities of an investment company, domestic or foreign, or the lands, stock, bonds or other securities by it offered for sale, who has not complied with the provisions of this act, or an investment company, domestic or foreign, which does any business, or attempts to do any business, except as provided in section 2 of this act which has not complied with the provisions of this act, or an agent who does or attempts to do any business for an investment company, domestic or foreign, in this state, which agent is not at the time duly registered and has not fully complied with the provisions of this act, shall be fined for each offense not more than one thousand dollars, or shall be imprisoned for not more than ninety days, or both.

Sec. 12. All fees herein provided for shall be collected by the bank commissioner and by him shall be turned into the state treasury, and all fees so turned into the state treasury or such part thereof as may be required are hereby reappropriated to the bank commissioner for the purpose of paying salaries and expenses necessary for carrying this act into effect; and the bank commissioner is hereby authorized to appoint such clerks and deputies as are necessary to carry this act into full force and effect. Money necessarily paid out by the bank commissioner to a clerk or deputy appointed under this act, as salaries, or necessarily paid out by the bank commissioner, or by a clerk or deputy appointed under the provisions of this act for traveling or incidental expenses, shall be paid by the state treasurer out of such fees upon the order of the auditor of accounts. From the fees collected under this act there shall be paid to the bank commissioner for his services five hundred dollars annually.

Sec. 13. Should the court declare any section of this act unconstitutional or unauthorized by law, or in conflict with any other section or provision of this act, then such decision shall affect only the section or provisions so declared to be unconstitutional and shall not affect any other section or part of this act.

Sec. 14. All acts and parts of acts inconsistent with this act are hereby repealed.

Sec. 15. This act shall take effect April 1, 1913.

Approved February 13, 1913.



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